

State of Missouri Office of Secretary of State

Case No. AP-08-19

IN THE MATTER OF:

MICHAEL L. KLINGHAMMER, CRD No. 1799509

Respondent.

Serve at: 16690 Swingley Ridge Road, Suite 100
Chesterfield, MO 63017

CONSENT ORDER

1. The Enforcement Section of the Missouri Securities Division (“Securities Division”) alleges that Respondent Klinghammer committed an unethical business act when he falsified a form used in connection with a client’s purchase of a variable annuity in violation of The Missouri Securities Act of 2003 (“The Act”).
2. Respondent Klinghammer and the Securities Division desire to settle the allegations and the matters raised by the Securities Division in relation to Klinghammer’s alleged violations of The Act.

JURISDICTION

3. Section 409.6-601(a), RSMo. (Cum. Supp. 2007), provides that the Securities Act of 2003 shall be administered by the Commissioner of Securities (the “Commissioner”).
4. Section 409.6-604(h), RSMo. (Cum. Supp. 2007) provides that the Commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under the Act.
5. Respondent Klinghammer and the Securities Division stipulate and agree that the Commissioner has jurisdiction over Respondent Klinghammer and these matters.
6. Respondent Klinghammer and the Securities Division stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2007), which provides:

“ The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

WAIVER AND EXCEPTION

7. Respondent Klinghammer waives his right to a hearing with respect to this matter.
8. Respondent Klinghammer waives any rights that he may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order.
9. Respondent Klinghammer specifically forever releases and holds harmless the Missouri office of Secretary of State, Secretary of State, Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to or relating to this matter.
10. Respondent Klinghammer stipulates and agrees with the Securities Division that, should the Division determine that Respondent Klinghammer misrepresented any of the facts contained herein the Missouri Securities Division reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

11. Respondent Klinghammer and the Securities Division stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
12. Respondent Klinghammer agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without a factual basis.
13. Respondent Klinghammer agrees that this settlement between the parties, negotiated and reached in good faith, does not confer upon him the position of "prevailing party" under Missouri law.

STIPULATIONS OF FACT

14. Michael L. Klinghammer ("Klinghammer") is currently pending for securities agent registration with World Group Securities, Inc. ("WGS"). Klinghammer has a business address of 16690 Swingley Ridge Road, Suite 100, Chesterfield, Missouri 63017. Klinghammer is registered through the Central Registration Depository System ("CRD") with CRD #1799509.
15. WGS is a Missouri registered broker-dealer with a business address of 11315 Johns Creek Parkway, Duluth, Georgia 30097-1517. WGS is registered through the CRD System with CRD #114473.
16. On September 11, 2007, a Uniform Termination Notice for Securities Industry Registration ("Form U5") was submitted by National Planning Corporation ("NPC") indicating Klinghammer was discharged on September 7, 2007, after Klinghammer "admitted to signing a client's name to a transfer request form." NPC had identified the questionable signature during a review of Klinghammer's form submissions.
17. According to information received by the Division:
 - a. Around July 14, 2007, Missouri residents ("MRs") signed a "Qualified Tax-free Exchange Form" in connection with their purchase of a variable annuity through Klinghammer;

- b. Klinghammer was submitting the paperwork to his OSJ Branch Manager, he realized MRs should have signed a “Non-Qualified Tax-free Exchange Form” rather than the “Qualified Tax-free Exchange Form;”
 - c. After this discovery, Klinghammer attempted to contact MRs but was unable to reach them. Due to his schedule, Klinghammer was going to be unable to meet with MRs for two weeks. Rather than wait until he could again meet with MRs, Klinghammer signed MRs’ names to the correct form, dated the form 7/14/07 and submitted the form to NPC.
18. Section 409.1-102(1), RSMo. (Cum. Supp. 2007), defines an “agent” as “an individual, other than a broker-dealer, who . . . represents an issuer in effecting or attempting to effect purchases or sales of the issuer’s securities.”
19. Section 409.4-412(c), RSMo. (Cum. Supp. 2007), reads in part that, “If the commissioner finds that the order is in the public interest and subsection (d)(1) to (6), (8), (9), (10), or (12) and (13) authorizes the action, an order under this act may censure, impose a bar, or impose a civil penalty in an amount not to exceed a maximum of five thousand dollars for a single violation or fifty thousand dollars for several violations on a registrant”
20. Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2007), reads in part that, “A person may be disciplined under subsections (a) to (c) if the person
- Has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten years;
21. The Missouri Code of State Regulations, 15 CSR 30-51.170(1)(T), provides that the grounds for the discipline or disqualification of broker-dealers or agents shall include, in addition to other grounds, “dishonest or unethical practices in the securities business” that include:
- Effecting any transaction in, or inducing the purchase or sale of, any security by means of any manipulative, deceptive or fraudulent device, practice, plan, program, design or contrivance.
22. This order is in the public interest, is consistent with the purposes intended by the Missouri Securities Act of 2003, and is authorized by Section 409.6-604(h) RSMo., (Cum. Supp. 2007) .

CONCLUSIONS OF LAW

23. Respondent Klinghammer committed an unethical business practice when he affixed a client signature to an exchange form without authority to do so.
24. Respondent Klinghammer’s falsification of the form is a dishonest or unethical practice under MO 15 CSR 30-51.170(1)(T).
25. Respondent Klinghammer’s actions described above are a violation of Section 409.4-412(d)(13), and RSMo. (Cum. Supp. 2007).

ORDER

WHEREAS, the Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent Klinghammer and the Division, finds the following Order to be in the public interest and necessary for the protection of public investors and consistent with the provisions of Chapter 409, RSMo, *et seq.*

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent Klinghammer is CENSURED as a broker-dealer agent in the State of Missouri;
2. Respondent Klinghammer shall deliver a cashier's check to the Securities Division in the amount of five thousand dollars (\$5,000) made payable to the Missouri Secretary of State's Investor Education and Protection Fund. Such amount shall be immediately due and payable;
3. Respondent Klinghammer shall pay his own costs and attorney fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 2ND DAY OF FEBRUARY, 2009.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

Consented to by:

Nathan Soendker
Chief Registration Counsel
Missouri Securities Division

(signed)
Michael L. Klinghammer